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16 August 1951

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## **DAILY DIGEST**

**Office of Current Intelligence**

## **CENTRAL INTELLIGENCE AGENCY**

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State Department review completed

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SECTION 1 (SOVIET)

1. USSR. Kremlin takes full credit for Korea's liberation from Japanese: A Moscow broadcast devoted to the 6th Anniversary of Korea's liberation, extolled the Soviet Union's "decisive" role in the defeat of Japan and the subsequent liberation of Korea. Stereotyped charges traced US "violations of obligations from the moment of Korea's liberation" to the "armed intervention against the Korean people." The broadcast reiterated that the "entire peace camp, headed by the Soviet Union, is on the side of the Korean people who are confident of their abilities and their might."

Pravda also published a TASS dispatch from Korea which expressed the Korean people's "feeling of deep gratitude and love for the Soviet Union and its armed forces which liberated Korea from Japan." This marked the first occasion in a long time that the Moscow press published heavy North Korean praise for the USSR. [REDACTED]

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Comment: Moscow again avoided comment on the current situation in Korea, a characteristic of Soviet propaganda since the beginning of the Korean hostilities. However, exasperation with the UN firmness at Kaesong was suggested in the North Korean Communist statements selected for publication in the Moscow press.

2. Holiday in observance of Lenin's death abolished: The Presidium of the Supreme Soviet of the USSR announced on 14 August the abolition of the 22 January holiday commemorating Lenin's death and the events of 9 January 1905. The action was attributed to requests from trade unions and other public organizations which consider the observance out of keeping with the events commemorated.

Field Comment: Embassy Moscow considers that the abolition of this holiday will have the effect of diminishing popular worship of Lenin as Stalin gradually pre-empts a stellar role. The reference to "request of workers" is comparable to similar invocations of "toiler's demands" to justify changes decided on by the government. One motive may have been the desire to add another work-day by reducing the number of annual holidays to five. [REDACTED]

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Comment: The annual Lenin memorial celebration has constituted one of the most important Party occasions, usually marked by a meeting in Moscow's Bolshoi Theater attended by all the Party bigwigs.

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The high point of these meetings has been a speech given by one of the top Bolshevik dialecticians, such as in recent years, Pospelov or Suslov. This has been, in recent times, virtually the only occasion on which Stalin was over-shadowed by his predecessor Lenin. In line with the trend of deifying Stalin that has developed in recent years, the discontinuance of the holiday serves notice on Party members that Stalin will henceforth stand alone on his pedestal.

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4. INTERNATIONAL COMMUNISM: World Youth Festival parade lacks enthusiasm: An estimated 800,000 tired and listless members of the Communist Freie Deutsche Jugend, on 12 Aug 51, marched in an eight hour "Peace Parade" at the World Youth Festival in Berlin. The crowds of spectators were remarkably small in view of the great effort put forth in planning and propagandizing the parade as the high spot of the festival. Failure to live up to its intended climax of enthusiasm, glamor and variety was largely due to the inadequate food and housing provided for the participants, the Festival's atmosphere of worship for Stalin, and the fact that the foreign delegations remained seated in the grandstands while only German youth marched. [REDACTED]

25X1

Comment: This lack of enthusiasm on the part of both paraders and spectators, together with the fact that more than half a million delegates visited West Berlin despite Communist measures to prevent such exposure to Western life, indicates the indifference to the Soviet-Communist regime felt by East Germans. However, any parade so gigantic in numbers and duration could not be called a fiasco.

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5. EASTERN EUROPE. CZECHOSLOVAKIA. Reallocation of manpower proceeding unsatisfactorily: Czechoslovak Premier Zapotocky has criticized the failure on the part of individuals and organizations, to implement the spirit of the recent decree transferring more than 77,500 administrative employees into factories and mines. In a radio address on 8 Aug 51, Zapotocky said that office managers were using the decree to remove incompetents, the aged and the infirm, while factory and mine heads were refusing to accept transferees who were not specifically trained for their new assignments or who were over forty years old. The main aim of the transfer, Zapotocky stated, is to increase production which has dangerously lagged behind wage increases. He warned Czechoslovak labor and management that the decree must be implemented in accordance with the issued directives.

US Ambassador Briggs states that despite the advantages promised to those who voluntarily transfer before the end of September, there has only been a trickle of volunteers to the mines and factories. It is the view of the US Embassy that the Czechoslovak population considers this enforced transfer the most repressive action taken by the regime towards labor since the Communist coup d'etat in February 1948. The Embassy comments that this and other recent decrees, pertaining to labor controls reflect Communist failure over a two-year period to gain the voluntary cooperation of labor in meeting the increasingly difficult economic problems facing the country. [REDACTED]

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Comment: Czechoslovakia's current economic crisis stems from three basic and interrelated causes:

- (a) Increased export commitments to the Soviet Union which have required forced expansion of heavy industry and mine production and resulted in raw material shortages.
- (b) Serious inefficiencies in the industrial and agricultural sectors of the economy which resulted in 1950 in large financial deficits, and which, together with increasing shortages of consumer goods, have created inflationary pressures.
- (c) Increasing labor discontent which stems from decreasing real wages, lowered rations, increased norms, and general irritation with an arbitrary and oppressive government.

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6. TRIESTE. Number of refugees from Yugoslavia increases: US Political Advisor Unger reports that an increased influx of refugees from Yugoslavia during the first half of August, has pushed the Trieste refugee camp population almost to its limit of 5000. If it continued, this rate of influx would add another 900 new refugees before the end of the month. The Allied Military Government will shortly be forced to decide whether to use remaining budget funds to build accommodations for 1,500 more refugees.

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Comment: The present large-scale exodus of refugees from Yugoslavia is taking place despite previous Yugoslav assurances to the US and British Ambassadors in Belgrade that no further exit visas for Trieste would be granted unless the applicants had obtained Trieste entry permits from the British Embassy in Belgrade.

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SECTION 2 (EASTERN)

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2. INDIA. Youth festivals held in Calcutta and Bombay: Indian youth, enthusiastic over the Berlin Youth Festival, held their own festival in Calcutta on 5 August and plan one in Bombay from 15 to 19 August, according to a Peiping broadcast of 11 August. [REDACTED]

25X1

Comment: There is no firm evidence that any Indians are attending the Berlin conference, although a Moscow broadcast of 31 July reported that an Indian delegation was travelling to Europe on a Soviet grain ship returning from Calcutta.

3. TURKEY. USSR takes no action to revise Turkish Straits convention: The USSR has failed to request a revision on the Montreux Convention. The deadline for submission of revisions was 8 August. There have been no comments in the Turkish press on this inaction. [REDACTED]

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Comment: According to the terms of the Montreux Convention governing the passage of shipping through the Turkish Straits, any of the nine signatories may request revision at the end of each five year period. During an exchange of notes on the subject in 1946 by the major powers, the USSR made strong demands for revision of the status of the Straits. However, the final Turkish note expressing willingness on the part of the West to convene a conference to negotiate revisions was never answered by the Soviet Union.

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In April 1950, a Soviet newspaper charged Turkey with allowing US naval units into the Black Sea and termed the Montreux Convention prejudicial to USSR security. For the past year, however, only minor attention has been paid the subject of the Straits and no references made to the Convention.

Russian inaction relieves some of the concern that has been voiced by Turkey and other interested nations over an anticipated Soviet demand for revision.

4. INDONESIA. Government recognizes Communist threat: Pringgodigdo, chief of President Sukarno's staff, told US Ambassador Cochran that "everyone" has come to recognize the danger from Communist elements in Indonesia. He said there is evidence that the Chinese Embassy is working with Indonesian Communist leader Alimin. Pringgodigdo expects Sukarno's speech on 17 August (Indonesian independence day) to be a sharp denunciation of subversive elements. However, he said some cabinet members consider palace drafts of independence day speeches for leaders outside Djakarta too openly anti-Communist. [REDACTED]

25X1

Comment: Government inaction against Communist activity in the past has been due partially to the presence of left-wing sympathizers in the government. Responsible officials, however, apparently considered the incidents of 5 and 6 August sufficiently serious to warrant widespread arrests, particularly in Medan. [REDACTED] The continuation of a forceful policy is doubtful unless serious incidents persist.

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7. KOREA. North Korean "Liberation Day" slogans mention night flying: Of particular interest in the long list of slogans recently issued by the North Korean radio to commemorate 15 August 1945, Korea's Liberation day, are those exhorting various branches of the armed forces to strive "to annihilate and clean up the enemy under any combat conditions." "Night formations" of the "Air Force of the Republic" are instructed to "refine your martial arts and yourselves with advanced air arts." "Engineers" are instructed to perfect themselves in the laying of "river crossing bridges," and "tankmen" are ordered to "drive your tanks into the heart of the enemy positions...." [REDACTED]

25X1

Comment: While slogans are frequently employed for morale purposes, it is interesting that night flying by the North Korean air force is mentioned. The incidence of night attacks on UN aircraft over North Korea has risen from nil four months ago to several encounters per week at present.

8. JAPAN. Japanese press suspicious of Soviet intentions regarding treaty: Japan's three leading newspapers viewed the USSR's acceptance of the peace treaty invitation with suspicion, warning the Japanese not to fall into a Communist trap.

Yomiuri Shimbun said that the USSR may intend to check Japan's rearmament and to prevent the lease of military bases in Japan to the United States;

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to drive a wedge between the US and the British Commonwealth countries; and to employ the Japanese peace treaty as a part of the Soviet world-wide peace offensive.

Asahi Shimbun predicted that Russia would attempt to make propaganda capital out of the San Francisco conference, while Mainichi Shimbun contended that Russia's decision to participate in the peace conference is part of the peace offensive which began with the Korean peace offer. [REDACTED]

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[REDACTED]

Comment: Soviet attendance might pave the way for the Socialist Party, which has opposed a separate peace with the non-Communist powers, to participate in a non-partisan Japanese conference delegation — a move which would make the treaty more acceptable to Japanese public opinion and reduce expected political attacks on the government. Moreover, Soviet attendance will relieve, at least until Soviet motives become clearer, the uneasiness which has prevailed over the possible consequences of a partial peace. There will be concern, however, that Soviet obstructionism might, at the last moment, delay the long-desired conclusion of peace.

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SECTION 3 (WESTERN)

1. GERMANY. Plans progress for a single German veterans' organization: There is accelerated planning to form one large veterans' organization in Germany. It would include all former officers, soldiers, and civil servants of the Wehrmacht and the surviving dependents of personnel killed in service. Those involved in the attempt to build a single organization--temporarily known as the German Soldiers' Federation--include chiefly leaders of the present German War Veterans' League (BVW), headed by Admiral Gottfried Hansen. (The BVW has been concerned primarily to obtain pensions for former career soldiers, whereas the scope of the new organization would be much broader.) According to former General Hasso von Manteuffel, himself the leader of the Grossdeutschland Division group, the chances are good for the creation of the unified organization. [REDACTED]

25X1

Comment: A single, strong veterans' organization could considerably influence attempts to establish a German defense force. The Bonn Government cannot afford to run directly counter to the demands of those who would have a large role in rearmament. Neither Hansen's nor Manteuffel's group is considered to be opposed to rearmament at present, but the views of their organizations have not crystallized. There is the danger, too, that a new unified group might fall under the sway of those seeking primarily to restore the power and influence of the military in German society.

2. FRANCE. Influential Le Monde under new editor: Hubert Beuve-Mery has resigned his position as editor of Le Monde effective 15 September, and will be succeeded by Johannes Dupraz, a right-wing Popular Republican deputy. Dupraz, who edited a prewar newspaper which represented business interests in the Lyons area, has a record of being close to management and big business. Le Monde is now expected to relinquish the neutralist line it has championed recently. [REDACTED]

25X1

Comment: Le Monde is considered the most influential newspaper in continental Europe west of the iron curtain. Beuve-Mery is a pessimist whose predilection for philosophical discussion and escapist theories led him to reason that European culture is threatened equally from the East and the West. Dissension on his editorial staff and the setback suffered by neutralism in the June elections undoubtedly influenced his decision to leave Le Monde.

The new editor will probably endeavor to keep the wide following Le Monde has developed among the younger elements in France. His background suggests, however, that this paper will not adopt a friendlier attitude toward the US unless business becomes more favorably disposed toward the new productivity program and the Schuman Plan, both of which are closely associated by business with US influence in France.

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3. AUSTRIA. Press renews criticism of government measures in meat crisis: Short supplies of meat in Vienna stirred the weekend press to new criticism of government measures to alleviate the crisis. The Chancellor's appeals to farmers to deliver their hogs to the official markets, his warning that price ceilings would in any case be maintained, and the promise that imports of pork products from Denmark, Yugoslavia, and West Germany would be continued, failed to quiet the critics. The Socialist Arbeiter Zeitung reiterated Ministry of the Interior charges that dealers have held back canned goods and charged excessive prices in violation of the anti-profiteering law. Some substance was lent this allegation by the Minister of Interior's announcement that 480 tons of US canned meat would be sold only on ration tickets to keep it out of illegal channels. The Communist version of the crisis: profiteering by the big farmers; US unloading of old canned meat; a solution through increased imports from people's democracies. [REDACTED]

25X1

Comment: The Austrian Government has taken this occasion to release 435 metric tons of canned meat from Vienna stockpiles (accumulated as a security measure against a possible blockade) with the promise of replacement in the future. The US Legation has also authorized release from the stockpiles of 565 additional tons of canned meat, conditional upon October replacement. The Legation has approved the disposal on the grounds that rotation of stocks would in any case be required next year when market conditions will perhaps be less favorable.

4. ITALY. Rome protests Czechoslovak radio broadcasts as insulting: The Italian Foreign Office has delivered a strong protest to the Czechoslovak Government, requesting that it end the campaign of "falsifications" and "insults" conducted by various Czechoslovak radio stations in broadcasts about Italy. It asserts that similar complaints could be made by Italy against countries behind the iron curtain. The Foreign Office particularly protests the broadcasting of certain programs by Italians in Czechoslovakia in such a way as to give the impression they originate in Italy. The Italians charge that the Prague radio's "agitation and interference" in the Italian local elections last spring constituted a "grave violation of diplomatic relations". [REDACTED]

25X1

Comment: Frequent trips by prominent Italian Communists to Satellite countries may be connected with such broadcasts. Among those most recently reported are the visit of a Communist deputy to Prague on 24 July and the trip to Warsaw a week later of a group led by the party's top propagandist.

5. SPAIN. Hints of more liberal application of US loans hearten private interests: General Franco's promise of greater economic freedom and less state intervention, which appeared in a recent press interview with an

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American correspondent, has struck a new note of confidence among farm, industrial, and business circles in Spain. US Embassy believes that, although Franco's statement appears timed as a bid for additional US financial aid, the appointment of Arburua to the new Ministry of Commerce with control over the under-secretariats of Foreign Trade and Merchant Marine as well as the Food and Transport Board, may indicate some shift of emphasis from a policy of rigid state control and uneconomical industrial programs to one of stimulating private enterprise. [REDACTED]

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Comment: The intransigence and unrealistic economic policies of former Minister of Industry and Commerce Suances have proved a serious obstacle to speedy approval of Spanish loan applications by the US Export-Import Bank. Arburua, on the other hand, has written during the past year a series of newspaper articles urging the Spanish Government to adopt more enlightened and liberal economic practices. Favorably regarded by US officials in Madrid, he should be more cooperative than his predecessor in working out the details of the US-Spanish loans agreement.

6. UNITED KINGDOM. Foreign Office in "general agreement" with Acheson on German rearmament: A high Foreign Office official has stated that the Foreign Office is in "general agreement" with the substance of Secretary Acheson's recent letter to Foreign Secretary Morrison on Germany and European defense forces. [REDACTED]

25X1

Comment: There has been some evidence that the UK Government is looking with increasing favor upon the proposal supported in the Acheson letter for a German military contribution through a European army, though doubts remain as to the details of its relationships to NATO. The Foreign Office has been somewhat more sympathetically inclined toward the European army proposals than the Cabinet, which has been very cautious about any measures involving German rearmament for fear of possible domestic political repercussions.

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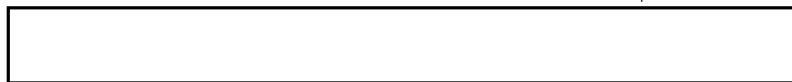
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SECTION 1 (SOVIET)

1. USSR. Embassy Moscow anticipates submission of Japanese peace treaty "counterdraft" by USSR: Embassy Moscow considers Soviet attendance at the Japanese peace conference not surprising in view of Moscow's basic objective of delaying the treaty, of previous indications that it would present new views, and of the new Soviet pretense of a desire for settlement on major issues with the West.

The Embassy anticipates that the USSR will demand Chinese Communist participation at the conference and will restate its past criticisms, probably by submitting a counterdraft. Such a counterdraft would be coordinated with attempts to capitalize on reservations of India, Burma and other states to the US-UK draft.

The Embassy reports that in a conversation with the British, Ambassador Gromyko stated that, "it would be incorrect to assume that Soviet views will differ from those previously presented on the subject of the Japanese treaty."

The Department of State is informing the Soviet Government, in a note acknowledging Soviet acceptance of the US invitation, that the San Francisco conference is not being held to reopen negotiations on peace terms. [REDACTED]

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Comment: There are several indications, among them Gromyko's remarks on 20 July to Ambassador Kirk on possible Russian suggestions, that the USSR will submit a draft for the Japanese peace treaty. The 10 June note from the Soviet Foreign Office concerning the Japanese treaty negotiations proposed a conference for "consideration of available drafts."

2. TRIESTE. Trieste Military Commander opposed to election postponement: The British Commander of the Allied Military Government is opposed in principle to postponing the Trieste elections. He feels that an indefinite postponement would allow the Italians to undermine AMG's authority and sees no genuine Italian effort to compromise with the Yugoslavs. The commander indicated that he would risk a limited postponement, however, if there is any real prospect of opening negotiations for a Trieste settlement. [REDACTED]

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Comment: In view of the currently inflamed state of Italian public opinion on Trieste, it is unlikely that the Italian Government could make sufficient concessions to effect a settlement.

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3. PHILIPPINES. Philippines concerned over Soviet presence at San Francisco: Philippine Secretary of Foreign Affairs Romulo, seriously concerned over Soviet participation in the Japanese peace treaty conference, fears that Russian maneuvers may leave the Philippines as the only Asian nation prepared to sign the treaty. He considers that his government's position would then become tenable, from a domestic viewpoint, in the face of demands for reparations. Romulo recommends that if the US and the UK are prepared to modify the reparations clause in anticipation of this difficulty, they do so now in order to forestall the expected Soviet maneuvers.

US Ambassador Cowen, commenting that he does not regard Romulo's concern as merely a device for reopening the reparations question, states that he believes the Filipinos will stand by their acceptance of the present draft. 25X1

Comment: The reparations clause of the treaty has been criticized by Burma, Indonesia and the Philippines. The Philippine Government has finally accepted a slightly modified draft despite extensive public opposition. 25X1

4. INDOCHINA. Vietnam Government insists on signing Japanese treaty: An official Vietnam News Agency release charges that the US has failed to invite Vietnam to take part in the signing of the Japanese treaty, "even though both the French and Vietnamese Governments have made their views in the matter quite clear." The release considers "unworthy of a democratic nation" the US hesitancy to support the Vietnamese participation on the grounds that India, Indonesia and Pakistan might claim that such participation was tantamount to diplomatic recognition. The release suggests that the US might, like India, be seeking to appease Communist China, and calls such an attitude "an insult to the Vietnamese people." 25X1

Comment: An experienced, out-of-office Vietnamese politician told the US Legation that the Japanese treaty issue had attracted very little attention in Vietnam until orders were issued to all public and private media that this theme was to be played up. The French authorities have vigorously defended Vietnam's "right" to sign the treaty, and probably welcome this rare opportunity to act as the champion of Vietnamese interests in the face of a coalition of none-too-friendly forces, among them the US. In this case, as in the case of other recent developments involving the US (signature of the US-Vietnam ECA agreement; ECA publicity re its relief program in Indochina), the strongly French-influenced press of Indochina has deliberately misrepresented US policy. As the French are well aware, the US has made strenuous efforts to bring about Vietnam's attendance at the San Francisco conference.

5. JAPAN/FORMOSA. Nationalists request US assurances regarding Japanese treaty: In a verbal statement to US Minister Rankin in Taipei on 13 August, Foreign Minister Yeh renewed the Nationalist Government's request that the US under-

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take to place Japan under an obligation to conclude a bilateral peace treaty with the Nationalist Government not long after the signing of the multi-lateral treaty, and on substantially the same terms.

Minister Rankin points out that the Chinese officials fear a rebuff from the Japanese, which, coming on top of their exclusion from the San Francisco conference, would have adverse domestic political effects. He suggests that the US might assure the Nationalists that it will do its best to see that the Japanese sign a similar bilateral treaty with the Nationalist Government shortly after the San Francisco conference. [REDACTED] [REDACTED]

25X1

Comment: The draft treaty binds Japan to enter promptly into negotiations with Allied Powers that have not signed the treaty, if they wish such negotiations. It does not, however, specify which Chinese Government will deal with Japan. The Nationalist officials, fearing a possible delay on the part of Japan, resent being placed in a position of having to "negotiate" with the vanquished nation.

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6. JAPAN. Japanese officials sceptical of Soviet intentions: The immediate reaction of Japanese officials to the Soviet acceptance of the peace treaty invitation was primarily one of marked scepticism, according to the US Political Adviser in Tokyo. Government officials were concerned also lest the presence of the Soviet delegate disrupt the proceedings and delay the signing of the treaty. [REDACTED]

25X1

Comment: Japanese press reaction was similar, with all three of Japan's leading newspapers warning against a possible Communist trap.

7. Japanese proceeding cautiously in modifying Occupation reforms: According to the US Political Adviser in Tokyo, the only known actions formally undertaken by the Japanese Government to modify the Occupation's reform program in response to SCAP's permission of last May are (a) those relating to the depurge and (b) the Cabinet's adoption of certain amendments to the anti-monopoly law. [REDACTED]

25X1

Comment: A letter from Prime Minister Yoshida to SCAP last April suggested that need for drastic modifications in the reforms instituted by the Occupation, some of which would virtually nullify important democratic advances. Although Yoshida reportedly desired to effect the changes while the Occupation was still in effect, he probably has belatedly realized the adverse international repercussions that would result from a wholesale revision of Occupation policies.

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